

**REDACTED**

—Original Message—

From: CALLAHANKIDS@aol.com [mailto:CALLAHANKIDS@aol.com]

Sent: Monday, October 01, 2001 5:26 PM

To: TSadler@thsllaw.com

Subject: Re: Penn Treaty

Dear Mr. Sadler,

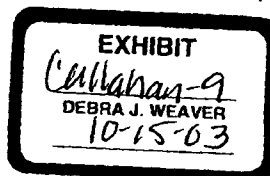
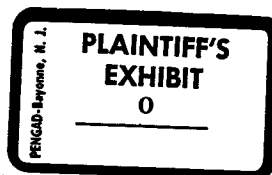
Thank you for your note. I have spoken with Jane Bagley (via e-mail) and was advised that this "matter" would be turned over to counsel. While I appreciate and perhaps prefer the formality I am not sure what the "matter" is. I am aware that there has been discussion about referring certain alleged breaches over to arbitrators and I have been asked to consider that as one of the options. However, that was not the point of my attempt to communicate with Jane Bagley. In fact, I think that it is in the best interests of all parties to get them apart via agreement as soon as possible. Penn Treaty is apparently in serious trouble with their business and All Risk seems to be a casualty of those problems. If you have authority to discuss getting the parties apart I will be happy to direct communications to you.

You have been misinformed as to my status in this matter. While it is true that I hold a J.D. and that I used to practice law I am retired and am not acting in that capacity. Rather, I am a principal in this side of the All Risk venture and was asked to put in some time on correcting the situation by Neal Forman and Herb Schwartz, the other two principals. In any event, if this situation rises to the level of arbitration we will have counsel as necessary and will follow the dictates of the parties' agreement.

Please e-mail me with a convenient time for us to talk and I will call you.

Regards,

Michael Callahan



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PT 011756